



Summary of the December 10, 2014 Board of Directors Meeting

The following individuals were present at the meeting:

Directors and Alternates, Acting as Directors:

- John Kerry, Secretary of State (Chair)
- Jacob Lew, Secretary of the Treasury (Vice Chair);
- Ambassador Michael Froman, United States Trade Representative (USTR);
- Dr. Rajiv Shah, Administrator, U.S. Agency for International Development (USAID);
- Dana Hyde, Chief Executive Officer, MCC;
- Lorne Craner, Private Sector Board Member;
- Morton Halperin, Private Sector Board Member;
- Ambassador Mark Green, Private Sector Board Member; and
- Susan McCue, Private Sector Board Member.

Invited Guests:

- Gayle Smith, Special Assistant to the President and Senior Director, National Security Council (NSC); and
- William Cole, Office of Management and Budget.

Other Participants:

1. Heather Higginbottom (State +1)
2. Alexia Latortue (Treasury +1)
3. Behnaz Kibria (USTR +1)
4. David Atteberry (USAID +1)
5. Parita Shah (MCC +1)
6. Monica Kladakis (Mr. Craner +1)
7. Sarah Lucas (Ms. McCue +1)
8. Chris Tuttle (Mr. Green +1)
9. Paula Tufro (NSC +1)
10. Michael Carroll (USAID/OIG)
11. Lisa Kubiski (State)
12. Daniella Ballou-Aares (State)
13. Todd Kushner (State)

14. Etienne LeBailly (State)
15. John Hurley (Treasury)
16. Rachel Fredman (Treasury)
17. Rachel Sayer (USAID)
18. Luke Ney (USAID)
19. Mary Ryckman (USTR)
20. Thomas G. Hohenthanner (MCC)
21. Cassandra Butts (MCC)
22. Lia Hanley (MCC)
23. Tom Kelly (MCC)
24. Paul Weinberger (MCC)
25. Matthew Bohn (MCC)
26. Kamran Khan (MCC)
27. Jonathan Bloom (MCC)
28. Kyeh Kim (MCC)
29. Cindy Huang (MCC)
30. Jonathan Brooks (MCC)
31. John Mantini (MCC)
32. Jim Mazzearella (MCC)
33. Chris Maloney (MCC)
34. Alicia Phillips Mandaville (MCC)
35. John Wingle (MCC)
36. James Gerard (MCC)
37. Jim Blades (MCC)
38. Laura Leussing (MCC)
39. Brian Finkelstein (MCC)
40. Maame Frimpong (MCC)
41. Cherita Nichols (MCC)
42. Pamela Woodard (MCC)

1. The meeting was called to order at 10:58 a.m. and the Board approved the minutes from the September 17, 2014, Board meeting.
2. *CEO Update.* Ms. Hyde expressed appreciation for participation of Board members in MCC's ten year anniversary celebration. She then provided three updates.

First, on MCC data initiatives, Ms. Hyde announced: (a) MCC partnership with PEPFAR in creation of country based, country driven local data hubs to promote data transparency and accountability and enable citizens, governments and donors to use data to drive health and economy programs; and (b) that she would join former Secretary Clinton and Deputy Secretary Higginbottom in New York for announcement of a commitment in partnership with the Hewlett Foundation, UNDP and Data 2X, to build a global technical standard for results data related to gender and to sponsor an open data challenge to encourage the use of this information.

Second, on country updates: (a) In October, the Moldova Prime Minister and Ambassador inaugurated the road linking Moldova to Ukraine. The road was rehabilitated under the compact with expected benefit to 300,000 people and has become an important symbol of the

U.S.-Moldovan partnership. (b) In Liberia, MCC continues to work with the interagency and private sector on investment opportunities and has notified the Hill that it intends to make a grant of Section 609(g) fund to Liberia in preparation for a robust role by MCC in economic recovery in the region. Appreciation was expressed to USAID for its leadership in the interagency immediate response effort. (c) In Jordan, the influx of refugees is burdening the country's water system. The compact, focused exclusively on water, is increasing supply in the Zarqa region. The project is under budget, ahead of schedule and has recently been expanded in scope.

Finally, on management: (a) MCC received its fourth consecutive clean, unmodified audit report, which will be presented in more detail following the Audit Committee's next meeting. (b) Matt Bohn is now in place as Vice President for Administration and Finance. Action memoranda were transmitted to the Board asking for its approval of candidates for a Deputy CEO, a General Counsel and a Vice President of Policy and Education. (c) The departures of Board member Lorne Craner, Mr. Craner's Plus One Monica Kladakis, and MCC Chief Strategy Officer Alicia Phillips Mandaville were recognized with expressions of appreciation for their significant contributions to the agency and its mission.

3. *Guatemala Threshold Program.* The Board was presented with a proposed Guatemala Threshold Program to support the government's efforts to improve its tax code, develop private sector partnerships and invest in education related to the labor market. These priorities were identified through analysis of the constraints to economic growth and in consultation with the private sector, civil society, U.S. Embassy and USAID in Guatemala, and the Government of Guatemala. Appreciation was expressed to USAID, the State Department and the Guatemalan Embassy for their tremendous help through the development process, and U.S. Treasury Department OTA for work with the tax assessment.

Dr. Shah and Ambassador Green encouraged future MCC focus on areas in which it has unique comparative advantage such as infrastructure over education.

Ms. Hyde assured the Board of continued MCC vigilance around rule of law and corruption concerns in working with the Government of Guatemala. While acknowledging the points made regarding education, she pointed to the need to address the human capital constraint and suggested further conversation on the issue at a future Board meeting.

4. *Country Selections.* The Board was presented with information for discussion in selection of countries for new compact eligibility, compact reselection eligibility and threshold program eligibility.

MCC recommended Mongolia, Nepal and the Philippines for new compact eligibility. Mongolia was noted for its passage of the scorecard for two consecutive years despite the higher medians on its graduation to lower middle income status in FY 2013. It has improved on the control of corruption indicator for the past four years and remains a bastion of democracy in a difficult

region. It has shown rapid growth moving from a lower income country to a lower middle income country in three years, but government capacity remains weak and poverty remains high at twenty-seven percent. MCC proposed to work with the Government of Mongolia to ensure inclusive growth and help improve the environment for private sector participation.

Nepal demonstrated four consecutive years of passing the scorecard criteria, improvement and stabilization of the political situation, progress in institutionalization of democratic governance, and the expectation that the constitutional drafting process will be complete in 2015 was also noted. MCC proposed Nepal as a compact partner to build off the threshold program currently in development, accelerating those investments and impacts and providing a potential entry point for exploration of investments in the region.

The Philippines showed continued scorecard improvement and passage, most notably on the control of corruption indicator, despite a higher median score created by the performance of similarly situated countries upon its graduation to lower middle income status in FY 2012. Implementation of the first compact is on track and the government remains a strong partner. Based on strong policy and compact performance, MCC proposed selection of the Philippines to allow development of stronger operational efficiencies between the first and second compacts.

Current compact partners presented for reselection eligibility for FY 2015 funding were Benin, Lesotho, Liberia, Morocco, Niger and Tanzania.

In response to Board member concerns around the Government of Tanzania's fulfillment of its pledge to combat corruption, Ms. Hyde assured the Board of continued vigilance and coordination around Tanzania and committed to report back to the Board in March.

Côte d'Ivoire, Sierra Leone and Guatemala were recommended for threshold program eligibility: Côte d'Ivoire, based on its positive trajectory on policy reform but fragile security situation which makes it more appropriate for a threshold program than compact; Sierra Leone, with borderline control of corruption performance, as a means to recognize the government's strong policy reform efforts, maintain partnership, and support the country's recovery from the Ebola crisis; and, Guatemala to enable access to FY 2015 funds.

Ambassador Green supported the recommendations, commending Sierra Leone on their progress. Note was made of significant resources going into Sierra Leone. USAID offered to assist MCC in understanding the context and how to fit in the assistance field. The commitment of Côte d'Ivoire to the MCC standards as a requirement for compact eligibility, as a measure of global reintegration, and as a key to direct investment was commended. Consideration for a compact was suggested if Côte d'Ivoire's progress continues through next year.

5. *Audit Committee Report.* The Audit Committee will report following its January meeting.
6. *Strategic Partnership Resolution.* A presentation on the results of exploration of regional approaches to MCC investment was given, following on the conversation begun by the Board in their September meeting. A phased approach to exploration of a potential partnership with India

was determined to be appropriate. When approached, India's Washington based economic officers expressed enthusiasm for exploration of a potential partnership. An update on the status of conversations with India is to be provided the Board at their next meeting.

7. *Recognition of Lorne Craner.* Mr. Craner was presented with a certification of appreciation and was commended by Secretary Kerry on behalf of the Board for his two terms of service. Special note was made of Mr. Craner's consistent contributions to, and critical focus on, his Board service and consistent efforts to alleviate poverty through economic growth. Monica Kladakis was also recognized for her work on the governing justly indicator, her earlier service as an employee at MCC, and her service as Mr. Craner's Plus One. Mr. Craner expressed pleasure over MCC's development, emphasizing the importance of ensuring the continuation of MCC's unique approach to foreign assistance by upholding its standards.
8. *Executive Session.* The Board voted to approve: (a) the Guatemala Threshold Program; (b) Mongolia, Nepal, the Philippines, Benin, Lesotho, Liberia, Morocco, Niger and Tanzania for compact selection and reselection; and (c) Côte d'Ivoire, Sierra Leone and Guatemala for threshold program selection and reselection. The Board also voted to approve a resolution confirming support, without conferring compact eligibility at this time, for exploration of a strategic partnership with India for purposes of economic growth and poverty reduction in South Asia.

The meeting adjourned at 12:12 p.m.